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Message Text

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12
ORIGIN EB-11

INFO OCT-01 NEA-10 ADP-00 AGR-20 CIAE-00 COME-00 INR-10

LAB-06 NSAE-00 RSC-01 STR-08 TRSE-00 CIEP-02 OMB-01

L-03 /073 R

DRAFTED BY EB/FTD:HMPHELAN:MLB
7/24/73 EXT. 20280
APPROVED BY EB/FTD:HMPHELAN
COMMERCE - SBODNER
LABOR - HBLACKMAN
CIEP - AJURICH
NEA/INS - BLAINGEN
TREASURY - WEBARREDA
DESIRED DISTRIBUTION
COMMERCE, LABOR, CIEP, NEA/INS, TREASURY
---------- 043741
R 242117Z JUL 73
FM SECSTATE WASHDC
TO AMEMBASSY NEW DELHI

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E.O. 11652, N/A
TAGS: ETRD, IN
SUBJECT: TEXTILE NEGOTIATIONS
REF: NEW DELHI 8337

1. AS OF THIS DATE, WE HAVE NOT RPT NOT BEEN APPROACHED BY INDIAN EMBASSY REGARDING QUESTION COMMITMENT ON MAN-MADE FIBER TEXTILE QUOTA. NEITHER JURICH NOR COLLEAGUES WHO HAVE HELD DISCUSSIONS WITH INDIANS RECALL ANY MENTION OF SPECIFIC NUMBER VIS-A-VIS MAN-MADE FIBERS TEXTILE QUOTA. ON CONTRARY, U.S. REPS. DID SUGGEST TO INDIANS THAT, SINCE INDIAN EXPORT CAPACITY MAN-MADE FIBER TEXTILES PRESENTLY LIMITED AND SINCE SUCH INDIAN EXPORTS PRESENTLY POSE NO THREAT IN U.S. MARKET, WE FELT NEGOTIATION SUCH
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QUOTA IN PRESENT CIRCUMSTANCES WAS PROBABLY DIS-

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ADVANTAGEOUS FROM INDIAN VIEWPOINT. WE STILL OF THIS
OPINION AND WILL SO INFORM INDIANS IF APPROACHED.

2. WE, OF COURSE, AWARE INDIAN DESIRE FOR 175 MILLION
SYD. COTTON TEXTILES QUOTA WHICH WAS REQUESTED IN GENEVA
TALKS WITH BAGCHI JUNE 28. ACCOMMODATION 175 MILLION
SYD. LEVEL, HOWEVER, WOULD POSE VERY REAL AND SERIOUS
PROBLEMS FOR US. THERE IS NO WAY SUCH ACTION COULD BE

CONCEALED FROM THE INTERNATIONAL TEXTILE TRADE AND FROM
THE OTHER GOVERNMENTS WITH WHICH WE HAVE BILATERAL
TEXTILE AGREEMENTS ALL OF WHICH CONTAIN EQUITY PROVISIONS.
THE TOTALITY OF OUR LIABILITY ARISING FROM REQUESTS FOR
INCREASES AT SIMILAR RATES WOULD, IF ACCOMMODATED,
FRUSTRATE THE PURPOSE FOR WHICH THE PROGRAM IS
MAINTAINED. FROM THE TENOR OF DISCUSSIONS TO DATE IN
GENEVA ON A NEW ALL-FIBER TEXTILE AGREEMENT (WHICH WILL
SUBSUME THE LTA), WE KNOW THAT WE WILL HAVE TO PAY A
RATHER HIGH PRICE IN TERMS OF LIBERALIZATION BEFORE SUCH
AN AGREEMENT IS ACHIEVED. IF UNDERSTANDINGS ARE REACHED
AND COMMITMENTS ARE MADE AT "MAXIMUM" LEVELS BEFORE
WE KNOW TERMS OF MULTILATERAL, WE RISK AN UNACCEPTABLE
PRICE FOR THE MULTILATERAL.

3. WE BELIEVE THAT THE PROPOSAL MADE TO THE INDIANS
IN GENEVA IS, UNDER THE CIRCUMSTANCES, NOT ONLY
REASONABLE BUT EMINENTLY GENEROUS WHEN OUR OFFER TO EXEMPT
COTTAGE INDUSTRY PRODUCTS AND OUR OFFER OF A TWO-YEAR
"ONE-SHOT" ARE CONSIDERED. OUR OFFER PROVIDES FOR THE
FIRST YEAR OF THE PROPOSED NEW ARRANGEMENT, A BASE LEVEL
OF 145 MILLION SYDS. PLUS 15 MILLION SYD. ONE-SHOT PLUS
(ACCORDING INDIAN ESTIMATES OF POSSIBILITIES) 20 MILLION
SYDS. OF COTTAGE INDUSTRY PRODUCTS WHICH IS EQUAL TO
180 MILLION SYDS. EQUIVALENT. FOR THE SECOND YEAR,
EVEN IN THE UNLIKELY EVENT THERE WOULD BE NO GROWTH IN
COTTAGE INDUSTRY PRODUCTS EXPO TS, THE LEVEL WOULD BE
187.25 MILLION SYDS.

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4. WE RECOGNIZE THAT PROPOSED GRAIN PURCHASES BY INDIA
WILL PUT STRAIN ON INDIA'S EXCHANGE POSITION VIS-A-VIS
THE U.S. AND THAT SOUND ECONOMICS WOULD ARGUE FOR LARGER
U.S. IMPORTS FROM INDIA. WE MUST ALSO POINT OUT THAT THE
U.S., SINCE THE BEGINNING OF THE LTA, HAS CONSISTENTLY
MADE EVERY EFFORT TO DISASSOCIATE ITS PROBLEMS WITH
TEXTILE IMPORTS FROM THE OTHER ASPECTS OF ITS FOREIGN
TRADE POLICIES. THERE ARE ONLY THREE COUNTRIES

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(JAPAN, HONG KONG AND TAIWAN) WITH WHICH WE HAVE BILATERAL TEXTILE AGREEMENTS THAT ENJOY A FAVORABLE BALANCE OF TRADE WITH THE U.S. TO ACCEPT NOW THE THESIS THAT AN UNFAVORABLE BALANCE OF TRADE WITH THE U.S. IS A VALID JUSTIFICATION FOR A LARGE SCALE TEXTILE QUOTA INCREASE FOR INDIA (OR FOR ANY OTHER TEXTILE EXPORTING COUNTRY IN THE SAME TRADE POSITION) CAN ONLY LEAD TO INFLATION OF DEMANDS BY OUR OTHER BILATERAL TEXTILE TRADING PARTNERS THUS MAKING PROHIBITIVE THE PRICE OF POKER IN GENEVA. ROGERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXTILES, IMPORT QUOTAS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 JUL 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: willialc
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE145209
Document Source: CORE
Document Unique ID: 00
Drafter: HMPHELAN:MLB
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730713/aaaaajpl.tel
Line Count: 125
Locator: TEXT ON-LINE
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 NEW DELHI 8337
Review Action: RELEASED, APPROVED
Review Authority: willialc
Review Comment: n/a
Review Content Flags:
Review Date: 27 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27-Aug-2001 by willialc>; APPROVED <27-Aug-2001 by willialc>
Review Markings:

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US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TEXTILE NEGOTIATIONS
TAGS: ETRD, IN, US
To: NEW DELHI
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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